

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn, trading of garment products and provision of quality inspection services.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 33. The directors recommend the payment of a final dividend of HK5.5 cents per share, in cash form with a scrip dividend option to the shareholders whose names appear on the register of members on 25 Aug 2005, amounting to approximately HK\$31,200,000.

Details of the dividends for the year are set out in note 9 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 20 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK\$449 million for the expansion of its business. Details of movements in the property, plant and equipment of the Group and of the Company during the year are set out in note 11 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 12 to the financial statements.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Li Ming Hung (*Chairman*)

Mr. Chen Tien Tui (*Managing Director*)

Mr. So Kam Wah

Mr. Lee Yuen Chiu, Andy

Mr. Choi Lin Hung

Independent Non-Executive Directors:

Mr. Kan Ka Hon

Mr. Phaisalakani Vichai (*Andy Hung*)

Mr. Lau Chung Kwan

(appointed on 28 September 2004)

In accordance with Clause 86(2) and 87(1) of the Company's Bye-laws, Mr. So Kam Wah, Mr. Phaisalakani Vichai (Andy Hung) and Mr. Lau Chung Kwan will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. All other directors continue in office.

No directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than statutory compensation.

The independent non-executive directors have been appointed for a term subject to retirement by rotation as required by the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Group had transactions with connected parties as follows:

- (1) The Group paid operating lease rentals to Verdure Enterprises Limited (note i) amounting to approximately HK\$108,000.
- (2) At 31 March 2005, the Company and certain of its wholly owned subsidiaries have conditionally agreed to provide guarantees in favour of several banks in respect of facilities granted by the banks to Ford Glory International Limited ("Ford Glory"), a subsidiary of the Company in which Mr. Choi Lin Hung has a 49% beneficial interest.

The guarantees given by the Group in respect of credit facilities granted to Ford Glory amounted to HK\$384 million in aggregate as at 31 March 2005. The amount of financial assistance provided exceeds the proportional interest of the Company in Ford Glory. The provision of the guarantees constitutes connected transactions under Rule 14A.13(2) of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Choi Lin Hung did not provide similar guarantees to the banks but had provided pro rata counter indemnity to the Company and the relevant wholly owned subsidiaries of the Company.

Note (i): The entire issued share capital of Verdure Enterprises Limited is owned by a discretionary trust, the object of which include Mr. Li Ming Hung and his family.

In the opinion of the independent non-executive directors of the Company, these transactions were carried out on normal commercial terms in the ordinary course of business of the Group.

Other than as disclosed above, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 March 2005, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listing Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Percentage of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	86,314,000 ordinary shares of HK\$0.01 each of the Company ("Shares") (L) (Note 2)	-	15.2%
	The Company	Beneficial owner	8,712,000 Shares (L)	-	1.5%
	The Company	Beneficial owner	-	1,500,000 Shares (L) (Note 4)	-
	Victory City Company Limited (Note 12)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	-	-
	Victory City Overseas Limited (Note 12)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	-	-

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Percentage of issued share capital of the Company/ associated corporation
Chen Tien Tui	The Company	Founder of a trust	86,316,000 Shares (L) (Note 3)	–	15.2%
	The Company	Beneficial owner	9,313,706 Shares (L)	–	1.6%
	The Company	Beneficial owner	–	1,500,000 Shares (L) (Note 4)	–
	Victory City Company Limited (Note 12)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	–	–
	Victory City Overseas Limited (Note 12)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	–	–

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Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Percentage of issued share capital of the Company/ associated corporation
Choi Lin Hung	The Company	Beneficial owner	640,000 Shares (L)	–	0.1%
	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	–
	Victory City Overseas Limited (Note 12)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	–	–
	Ford Glory Holdings Limited (Note 12)	Interest of controlled corporation	49 shares of US\$1.00 each (L) (Note 6)	–	49%
	CSG Apparel Inc. (Note 12)	Interest of controlled corporation	one common stock of CAD1.00 (L) (Notes 6 and 7)	–	49%
	CSG Fashion Inc. (Note 12)	Interest of controlled corporation	1,000 common stocks of USD0.01 each (L) (Notes 6 and 8)	–	49%
	Ford Glory International Limited (Note 12)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Notes 6 and 9)	–	49%
	GloryTime Limited (Note 12)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 6 and 11)	–	34.3%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	Percentage of issued share capital of the Company/ associated corporation
Choi Lin Hung (Continued)	Silver Success Limited (Note 12)	Interest of controlled corporation	90 ordinary shares of HK\$1.00 each (L) (Note 6 and 11)	–	30.9%
	Top Star Limited (Note 12)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Notes 6 and 9)	–	49%
	Value Plus (Macao Commercial Offshore) Limited (Note 12)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Notes 6 and 10)	–	49%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	–
So Kam Wah	The Company	Beneficial owner	–	9,000,000 Shares (L) (Note 5)	–
Phaisalakani Vichai	The Company	Beneficial owner	250,000 Shares (L)	–	0.1%

Notes:

- The letter "L" represents the director's interests in the share and underlying shares of the Company or its associated corporations.
- These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family.
- These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.

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4. On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tien Tui were granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Li Ming Hung and Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.

5. On 23 May 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted 1,500,000, 1,500,000 and 3,300,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 shares, 1,500,000 Shares and 3,300,000 Shares respectively, exercisable at a price of HK\$2.35 per Share during a period from 27 May 2003 to 29 November 2011.

On 9 October 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 3,500,000 shares, 3,500,000 shares and 1,700,000 shares, respectively, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares, 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.

6. These shares, representing 49% of the issued share capital of Ford Glory Holdings Limited, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi Lin Hung.

7. This common stock was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.

8. These common stocks were beneficially owned by Ford Glory Holdings Limited.

9. These shares were beneficially owned by Ford Glory Holdings Limited.

10. This quota capital was beneficially owned by Ford Glory Holdings Limited.

11. Silver Success Limited is 90% owned by Glory Time Limited which is in turn 70% owned by Ford Glory Holdings Limited.

12. These companies are subsidiaries of the Company.

Save as disclosed above in this report, as at 31 March 2005, none of the directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

Saved as disclosed under directors' and chief executives' interest in shares and underlying shares, as at 31 March 2005, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiring by the directors, the following persons (other than directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	86,314,000 (L)	Beneficial owner (Note 2)	15.22%
Cornice Worldwide Limited	86,314,000 (L)	Interest of controlled corporation (Note 2)	15.22%
Madian Star Limited	86,316,000 (L)	Beneficial owner (Note 3)	15.22%
Yonice Limited	86,316,000 (L)	Interest of controlled corporation (Note 3)	15.22%
Trustcorp Limited	172,630,000 (L)	Trustee (Notes 2 & 3)	30.43%
Ho Yuen Mui, Shirley	96,526,000 (L)	Interest of spouse (Note 4)	17.02%
Or Kwai Ying	97,129,706 (L)	Interest of spouse (Note 5)	17.12%
Value Partners Limited	35,762,000 (L)	Beneficial owner	6.30%
Morgan Stanley	52,410,000 (L)	Interest of controlled corporation (Note 6)	9.24%
	3,734,000 (S)	Interest of controlled corporation (Note 6 & 7)	0.66%

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Notes:

1. The letter "L" and "S" represent the person's interests and short position respectively in the Shares and/or underlying Shares.

2. These shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family.

3. These shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.

4. Ms. Ho Yuen Mui, Shirley is the wife of Mr. Li Ming Hung, an executive director.

5. Ms. Or Kwai Ying is the wife of Mr. Chen Tien Tui, an executive director.

6. Of these shares, 50,058,000 and 2,352,000 shares were held in long position by Morgan Stanley Investment Management Company and MSDW Equity Finance Services 1 (Cayman) Limited respectively. Besides, 1,382,000 and 2,352,000 Shares were held in short position by Morgan Stanley & Co. International Limited and MSDW Equity Finance Services 1 (Cayman) Limited respectively.

Morgan Stanley Investment Management Company is wholly owned by Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd, a company wholly owned by Morgan Stanley Asia Regional (Holdings) III LLC which is in turn wholly owned by Morgan Stanley Asia Pacific (Holdings) Limited. Morgan Stanley Asia Pacific (Holdings) Limited is 90% owned by Morgan Stanley International Incorporated which is in turn 80% owned by Morgan Stanley.

MSDW Equity Finance Services I (Cayman) Limited is wholly owned by MSDW Offshore Equity Services Inc. which is in turn wholly owned by Morgan Stanley.

7. These shares represent the short position of MSDW Equity Finance Services I (Cayman) Limited in the Shares or underlying Shares.

Save as disclosed above, so far as is known to the directors, as at 31 March 2005, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 21 to the financial statements.

The directors are of the view that the value of the theoretical value of the options granted during the year depends on a number of variables which are either difficult to ascertain or can only be ascertained on a number of theoretical basis and speculative assumptions. Accordingly, the directors of the Company believed that any calculation of the value of the options will not be meaningful and may be misleading to shareholders in the circumstances.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his/her independence and the Company considers that each of them to be independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

MODEL CODE

The Company has adopted the terms of the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules. The Company, having made specific enquiry on all the directors of the Company, confirms that all its directors have complied with the Model Code throughout the financial year ended 31 March 2005.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the year ended 31 March 2005 with the Code of Best Practice (the "Code") as set out in Appendix 14 (which was in force immediately before 1 January 2005) of the Listing Rules on the Stock Exchange, except that the independent non-executive directors are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

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PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Li Ming Hung

Chairman

Hong Kong

20 July 2005

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